



OFFICE OF AUDITOR OF STATE
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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ August 31, 2011

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Safety for the year ended June 30, 2010.

The Iowa Department of Public Safety is a statewide organization charged with promoting the safety of all Iowans from hazards associated with crime, fire and traffic through law enforcement.

Vaudt recommended the Department improve controls over capital assets, segregation of duties for payroll, travel reimbursements, compliance with targeted small business reporting, personal services contracts and fire incident reporting. The Department responded corrective action is being implemented.

A copy of the report is available for review in the Iowa Department of Public Safety, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1160-5950-OR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC SAFETY**

JUNE 30, 2010

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State



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August 25, 2011

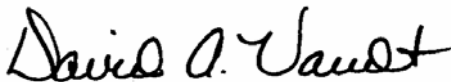
To Larry L. Noble, Commissioner of the
Iowa Department of Public Safety:

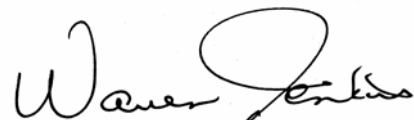
The Iowa Department of Public Safety is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2010.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include those reported in the State's Report on Internal Control, as well as other recommendations pertaining to the Department's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Public Safety's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Public Safety, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Safety may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 9 and they are available to discuss these matters with you.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

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Finding Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

- (1) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department of the state to maintain a written, detailed and up-to-date inventory of property under its charge and control. The following errors were noted for capital asset additions:
- (a) Additions were understated by \$791,902 due to incorrect formulas on the capital asset spreadsheet. The formula error had no effect on accumulated depreciation and depreciation expense. This was properly adjusted for reporting purposes.
 - (b) The Department purchases vehicles though the Department of Administrative Services (DAS)–General Services Enterprise. Vehicles delivered but unassigned at June 30, 2010 were excluded from the capital asset listing causing equipment and vehicle additions to be understated by \$751,882. This was properly adjusted for reporting purposes.
 - (c) The Department received equipment transferred from the Iowa Department of Public Defense - Homeland Security and Emergency Management Division for \$615,439 which was not included as additions on the Department's GAAP package. This was properly adjusted for reporting purposes.
 - (d) Five capital assets purchased for \$84,771 were not included as additions on the capital asset listing.
 - (e) Accumulated depreciation and depreciation expense for equipment and vehicles was understated by \$27,297. This was properly adjusted for reporting purposes.
 - (f) Amounts reported in the GAAP package for expenses and fees for disposal of assets were understated by \$67,617, causing the gain on disposal of assets to be overstated. This was properly adjusted for reporting purposes.

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring capital asset additions are reconciled to I/3 asset purchases and reconciliations between the Department's tracking system and amounts included in the GAAP package for financial reporting are performed. In addition, the Department should develop procedures to identify transferred assets to ensure the capital asset listing is complete. Depreciation expense, accumulated depreciation and gain or loss on disposal of assets should be properly calculated and recorded.

Response – The Department's policy is to maintain an up-to-date capital asset listing and reconcile it between I/3 and the Department's tracking system and the GAAP package. Also, it is the Department's intent to identify all transfers of assets and record them appropriately, along with the appropriate depreciation expense, accumulated depreciation and reporting of gains and losses at time of disposal. However, due to the recent reduction in workforce in

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the Department's Finance area, our inability to replace those positions, and the requirement the GAAP package be completed within a week of the end of the fiscal year hold open period, the most recent GAAP report had errors in it which weren't discovered until it was reviewed by staff of the Office of Auditor of State. We will make every effort to do a better job in the future.

Conclusion – Response accepted.

- (2) Payroll – The Department processes and records payroll and personnel information on the Human Resource Information System (HRIS). The Human Resources Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. Certain individuals have the ability to initiate and approve P-1 documents.

Recommendation – To strengthen controls, the Department should develop and implement procedures to segregate the duties of the Human Resources Associates.

Response – Given the volume of activity requiring these and other time sensitive duties and the lack of adequate staff to provide for sufficient back-up, it is necessary for staff to have the authority to initiate and approve documents. Staff have been instructed the practice of initiating and applying approvals to the same document without the involvement of at least a second person does not provide ample internal control and is not allowable. It should also be noted the P-1 program does provide an audit trail which identifies who makes and adjusts documents so any problems with incorrect P-1s can be traced back to the individuals touching the document.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

- (1) Travel Reimbursements – Executive Branch employees are required to submit actual itemized receipts provided by the vendor for each meal, travel and other work related allowable costs, including, but not limited to, lodging, registration, postage and parking. These actual expenses are to be submitted on a travel claim, supported by receipts and reimbursed to the employee by their Department. These reimbursements should occur in a timely manner. During fiscal year 2010 testing, the following were noted:

- 1) Several itemized receipts did not include all information required by DAS and were not added by the employee and signed.
- 2) For 52 of 70 travel reimbursements tested, the reimbursement was not paid timely (within 30 days).
- 3) For five of 70 travel reimbursements tested, meals were reimbursed although no itemized receipt was submitted.

Recommendation – The Department should ensure the procedures provided by DAS for approving travel reimbursements are followed in an efficient and timely manner.

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Response – The Finance Bureau has always had a goal of making prompt and accurate reimbursement to employees incurring costs while traveling for the State. The Department has held two LEAN events (one ZOOM process out of which the travel P-Cards were conceived, and one Kaizen) in an attempt to find inefficiencies in our processes. Both LEAN events identified one obstacle to timely reimbursement was the length of time between the employee's signature on the claim and the Division's approval, which in some instances has been as long as two months. Research found instances in which the employee did not submit the claim timely after applying a signature and the geographical dispersion of Department personnel also causes inherent delays.

To aggravate the difficulties, events of the last several years have made the goal extremely difficult to attain. The Bureau lost 33% of the accounting staff due to budget reductions in SFY2010 and the provisions of Executive Order 13 have further exacerbated the delays. Errors contained in travel claims were amplified with the multitude of additional requirements which were placed on the claimant. The Department has held multiple training sessions to reduce errors and therefore the resulting delays by making the traveler and the immediate supervisor more knowledgeable of Executive Order 13 and the travel policies in general.

If the belief is the extra effort required by Executive Order 13 is in the best interest of the taxpayer then adequate resources must be afforded the administrative functions charged with fulfilling those requirements. To divert resources from other tasks will only result in delayed payroll, delayed payment of vendor claims, delayed or eliminated submission of critical reports such as the GAAP report or legislatively mandated reports. Reduced budgets do not afford adequate resources. Until additional resources are made available, or the requirements of Executive Order 13 rescinded, the Department will be unable to address the deficiencies noted above.

Conclusion – Response acknowledged.

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Findings Related to Statutory Requirements and Other Matters:

- (1) Targeted Small Business Reports – Chapter 73.16 of the Code of Iowa requires each agency or department to report total purchases from certified targeted small businesses (TSB). This report is due within fifteen days following the end of each calendar quarter to the Iowa Department of Economic Development.

The Department did not submit all required quarterly reports on a timely basis.

Recommendation – The Department should establish procedures to ensure all TSB quarterly reports are submitted on a timely basis.

Response – As a result of budget reductions over the past decade the Department has found it necessary to identify tasks that will no longer be completed. The information requested in the Targeted Small Business Reports is available in the I/3 Data Warehouse and we believe there is no value added by this Department editing the information and making minute adjustments to ensure it fits a prescribed format.

Conclusion – Response acknowledged. However, the Department should comply with the Code of Iowa or seek to have provisions changed or repealed.

- (2) Personal Services Contracts – Iowa Department of Administrative Services (DAS) Policy 240.102 provides general guidelines to be used by departments when entering into personal services contracts. The required procedures include a determination, prior to signing the contract, as to whether the contractor has an employer/employee relationship with the State. To make this determination, departments are to submit copies of the pre-contract questionnaire, Internal Revenue Service (IRS) form SS-8 and the proposed contract to the State Accounting Enterprise at DAS.

Testing of fifteen personal services contracts for the Department identified the following:

- (1) The Department does not maintain a listing of all current contracts.
- (2) For eleven contracts, the contract did not contain a non-availability of funds clause.
- (3) For four contracts, evidence of bidding or sole source justification was not maintained.
- (4) For one contract, the required pre-contract questionnaire was not on file.

Recommendation – Personal services contracts should include the required elements as identified in the laws and regulations governing state contracts. The Department should also maintain a listing of all contracts entered into and outstanding.

Response – Depending on the size and duration of contracts a non-appropriation of funds clause may be a mute point. If the services are provided within a period of time the Department is reasonably certain funds will be available, or if the dollar value of the contract is so insignificant the inclusion of the clause is inconsequential.

While the Department has always required bids, regardless of the value of the contract, we have found our guidance to personnel has been subverted by the Department of Administrative Services. Staff has been advised by the Department of Administrative Services Purchasing unit that for relatively small value contracts, under \$5,000, that DAS did not require bids. This has led to confusion among those authorized to enter into such agreements.

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The Department has developed clear policy with regards to procuring goods and services as a part of our accreditation process and all employees are required to read and acknowledge receipt of all policies. Divisions are also required to submit all copies of all contracts to the Finance Bureau. Despite these measures the Finance Bureau doesn't always become aware of contracts and memorandum of understandings. We will reemphasize all contracts must be forwarded to the Finance Bureau and will create a master list of the agreements beginning with state fiscal year 2012 contracts.

Conclusion – Response acknowledged. The Department should establish procedures for the review and approval of personal services contracts prior to signing the contract to ensure compliance with DAS Policy 240.102.

- (3) Reports of Fire and Emergency Responses - Chapter 100.3 of the Code of Iowa requires local fire officials to file a report with the State Fire Marshal's Office for all fires causing an estimated damage of fifty dollars or more or emergency responses by the fire service within 10 business days following the end of each month. For fires causing death, serious bodily injury or property damage in excess of two hundred thousand dollars, the local fire official is required to notify the State Fire Marshal's Office immediately.

The State Fire Marshal's Office is only requiring local agencies to file a report for fires causing an estimated damage of fifty dollars or more or emergency responses by the fire service on an annual basis.

Recommendation – The Department should establish procedures to require all local fire officials to report fires causing an estimated damage of fifty dollars or more or emergency responses to the State Fire Marshal's Office within 10 business days following the end of each month.

Response – The State Fire Marshal's Office has made new fire reporting software available to local fire departments. This new software will automatically generate the statutory report when the local department makes the initial report of a fire. Three weeks after the deployment of this new software nearly 15% of all departments have begun utilizing the program. The Fire Marshall's Office will continue to work toward 100% reporting by 100% of departments.

Conclusion – Response accepted.

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Staff:

Questions or requests for further assistance should be directed to:

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Other individuals who participated on the audits include:

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